



To/MS: All Employees
From/MS: John C. Browne, A100
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Subject: Health Care

Although the University of California has not yet released rates for the various health care plans and coverage levels for next year, I wanted to give you an update about changes being made to the Laboratory's health care program. You will receive complete information in your Open Enrollment packets, including the rates for all plans and coverage levels, and you should receive those packets by the end of this month.

All of the Laboratory's current medical plans will continue for 2003. We have mitigated increases in monthly premiums for the HMO plan, which is the plan of choice for most Los Alamos employees and retirees. The employee share of the premium for HMO family coverage, for example, will increase by approximately 31 percent, and premium increases for other HMO coverage levels will range from 7 to 26 percent. In each case, the increases are significantly less than we had expected for next year. In the POS plan, monthly premiums will decrease slightly for 2003. The Core Plan will continue at no cost to employees.

The cost increases have been reduced in large part through a variety of plan design changes that will be described in detail in your Open Enrollment packets. The HMO plan, for example, now includes annual deductibles for the range of coverage levels, and cost-sharing by members for certain services, with annual out-of-pocket maximum payments.

In addition to plan design changes, two other factors have mitigated the need for greater cost increases next year. One is the NNSA's decision to continue a subsidy for Los Alamos in recognition of age and location conditions that drive up our health care costs. The other is a decision by UC to devote more funding than initially planned to employee and retiree health care throughout the UC system. UC has provided this health care subsidy despite the fact that California has a continuing state budget crisis that is causing a severe funding shortfall at the University.

Our colleagues at UC campuses and the national laboratories in California will pay higher premiums than they have in the past for most medical plans in 2003 and, like us, they will experience design changes in some of their health care plans. To help reduce the impact of cost increases and plan changes, UC will introduce the following measures across the entire system:

- A new four-tiered rate structure will add a coverage level of "self plus child(ren)," reducing costs for single-parent families over the "self plus family" rate and more accurately reflecting the lower cost of medical insurance for children.
- Active employees with salaries of \$40,000 a year or less will receive a transitional allowance that will have the effect of reducing their premium costs.
- All active employees will be able to participate in a flexible spending account, similar to the one that was piloted at Los Alamos this year. The program will enable participants to set aside pre-tax dollars to pay eligible out-of-pocket health care expenses such as co-payments, deductibles and prescription drug costs.

Both UC and the Laboratory have been working aggressively to address the problem of rapidly increasing costs associated with mounting pressures in the health care industry in California, New Mexico and across the country. At Los Alamos, we sought to inform and engage employees and retirees through our "Health Care: Pathways to Change" initiative and we will continue to do so as we prepare for more changes in the Laboratory's health care program in 2004 and beyond.

The responses received from our "Pathways to Change" survey last summer, along with the many comments received through the Web site and the Readers' Forum, were helpful in making changes to the Laboratory's health care program for 2003 and will be useful in implementing of further changes in 2004. My thanks to all those who participated in the survey as well as those who attended focus groups and submitted suggestions and comments.

As we move forward, it is important to keep in mind that the problem of rising health care costs is a long-term problem of national scope. No single solution will adequately address the problem from year to year, and measures employed to address the problem one year may not be applicable or available to us in the years ahead.

I encourage you to remain informed, to carefully review your Open Enrollment materials, to attend the Benefits Fairs for Laboratory employees and retirees, and to use the full range of available resources to make the best health care decisions for you and your family. Our "Pathways to Change" Web site (<http://www.lanl.gov/health>) will continue to provide information on health care and wellness issues as well as the problem of escalating costs.

Thank you for your continued attention to this important issue.

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